

Message Text

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44

ACTION EB-03

INFO OCT-01 SS-14 ADP-00 NEA-06 IO-03 NSC-10 NSCE-00

CIAE-00 INR-10 NSAE-00 RSC-01 L-03 STR-01 OMB-01

TRSE-00 CIEP-02 AGR-03 COME-00 SIL-01 LAB-01 RSR-01

/061 W

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R 091240Z AUG 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 6086

INFO AMEMBASSY GENEVA

C O N F I D E N T I A L NEW DELHI 9264

LIMDIS

E.O. 11652: N/A

TAGS: ETRD, IN

SUBJ: TEXTILE NEGOTIATIONS

REF: A) NEW DELHI 9091; B) NEW DELHI 8337; C) NEW DELHI 8735

1. DURING MEETING ARRANGED BY EMBOFF TO DISCUSS INDIA'S TRADE POLICY (SEPTTEL), S.K. BAGCHI, JOINT SECRETARY, MINISTRY OF COMMERCE, RAISED TEXTILE NEGOTIATIONS. HE HAD JUST RETURNED TO INDIA FROM MONTH IN GENEVA, AND APPEARS TO HAVE TAKEN ISSUE BACK FROM HIS SUBORDINATE, S. NARASIMHAN. PERHAPS MORE AS A MATTER OF STYLE THAN SUBSTANCE, BUT MORE LIKELY AS A RESULT OF LACK OF UNITY ON INDIAN SIDE, BAGCHI'S PRESENTATION SHOWED MORE FLEXIBILITY AND DESIRE AT COMPROMISE THAN HAD NARASIMHAN'S (REFS A AND B).

2. BAGCHI SAID HIS UNDERSTANDING OF LATEST US OFFER IS FOR OVERT AGREEMENT FOR 145 MILLION SQUARE YARDS, OF WHICH 120 MILLION ARE IN GROUP ONE (FABRICS) AND 25 MILLION IN GROUP TWO (MADE-UPS). A "SECRET" LETTER WOULD GIVE INDIA AN ADDITIONAL 15 MILLION SQUARE YARDS ALL IN GROUP ONE. BAGCHI SAID COMMERCE
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MINISTER CHATTOYPADHYAYA HAS TWO PROBLEMS WITH THIS: (1) HE

WOULD LIKE FIRXRE AS CLOSE TO 175 MILLION SQUARE YARDS AS POSSIBLE AND (2) HE WANTS SOME OF THE DIFFERENCE BETWEEN 160 MILLION SQUARE YARDS AND 175 MILLION SQUARE YARDS TO BE IN GROUP TWO. ACCORDING TO BAGCHI, EXISTING QUOTA FOR 73/74 IS FOR 127 MILLION SQUARE YARDS OF WHICH 29 MILLION ARE IN GROUP TWO. US OFFER, THEREFORE, REDUCES AMOUNT IN GROUP TWO FOR INDIA AND THIS WOULD CAUSE INDIA PROBLEMS. (WE ASSUME THAT, IF BAGCHI IS ACCURATE, REDUCTION IS RELATED TO MOVING HANDLOOM BED SPREADS OUT OF QUOTA CATAGORY ALTOGETHER). INDIA WOULD BE WILLING TO ENTER INTO A NEW AGREEMENT FOR THREE YEARS AND, IN RETURN, TO SUPPORT US IN ITS EFFORTS TO OBTAIN A MULTIFIBER AGREEMENT.

3. IF PROSPECTS FOR AGREEMENT SEEM GOOD TO US, BAGCHI WOULD BE WILLING TO GO TO WASHINGTON, WITH FULL AUTHORITY TO SIGN AN AGREEMENT ALONG WITH GENERAL LINES OUTLINED ABOVE, ANY TIME UP TO THE MIDDLE OF OCTOBER. HE WOULD NOT, HOWEVER, BE ABLE TO GO TO WASHINGTON DURING THE TIME THAT THE TOKYO MULTILATERAL TRADE NEGOTIATIONS ARE TAKING PLACE. HE ALSO SAID THAT HE WOULD BE WILLING TO HAVE ANNOUNCEMENT OF THE INDO-US NEW AGREEMENT POSTPONED UNTIL SOME TIME IN 1974 IF THIS IS US WISH.

4. WE SHARE JURICH'S HIGH REGARD FOR BAGCHI AND BELIEVE HE HAS FINALLY RESOLVED THE INTERNAL DIFFERENCES WHICH HAVE CHARACTERIZED GOI ON TEXTILE QUESTION UP TO NOW. RESOLVING MATTER DIRECTLY WITH HIM WOULD NOW APPEAR PREFERABLE ROUTE TO DEALING THROUGH INDIAN EMBASSY WASHINGTON WHICH HAS PROVED NOTABLY INCOMPETENT ON MATTER IN PAST.

5. BAGCHI MADE IT CLEAR THAT GOI SEEKING AS CLOSE TO 175 MILLION SQUARE YARDS AS POSSIBLE AND OTHER MAJOR HANGUP IS OPTICAL CUTBACK IN GROUP TWO QUOTA. ISSUE OF MAN-MADE QUOTA HAS BEEN DROPPED. I STRONGLY URGE WE UTILIZE THIS OPPORTUNITY TO REACH FINAL AGREEMENT WITH THE GOI. THIS COULD PLAY A KEY ROLE IN DEVELOPING COUNTRIES' ACCEPTANCE OF OUR MULTIFIBER PROPOSALS. GOI POSITION COULD WELL CHANGE ADVERSELY IF WE INSIST ON HAGGLING ON MINOR YARDAGE OF TYPES OF TEXTILES WITH MINIMUM IMPACT ON US PRODUCERS, PARTICULARLY IN INFLATIONARY SITUATION FACING US TEXTILE INDUSTRY AND ECONOMY IN GENERAL.
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6. PLEASE ADVISE WHERE AND WHEN IT CONVENIENT JURICH MEET WITH BAGCHI FOR FINAL AGREEMENT.
MOYNIHAN

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